



EB-2014-0347

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15;

AND IN THE MATTER OF a proceeding to set rates pursuant to section 78 of the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF a determination by the Ontario Energy Board on the Rural or Remote Electricity Rate Protection Benefit and Charge for 2015 as required under section 79(1) of the *Ontario Energy Board Act, 1998* and Ontario Regulation 442/01.

AND IN THE MATTER OF a proceeding commenced by the Board on its own motion pursuant to section 19(4) of the *Ontario Energy Board Act, 1998*; and

AND IN THE MATTER OF section 21(4) of the *Ontario Energy Board Act, 1998*.

By delegation, before: Lynne Anderson

DECISION WITH REASONS and RATE ORDER

December 19, 2014

INTRODUCTION

Pursuant to section 19(4) and section 78 of the Ontario Energy Board Act, 1998 (the Act), the Ontario Energy Board (the Board) has commenced a proceeding on its own motion to consider the appropriate level of the Rural or Remote Electricity Rate Protection Benefit and Charge (RRRP rate) and the Wholesale Market Services rate (WMS rate) for all Ontario regulated electricity distributors.

The Rural or Remote Electricity Rate Protection (RRRP) program is designed to provide financial assistance to eligible customers located in rural or remote areas where the costs of providing electricity service to these customers greatly exceeds the costs of providing electricity to customers located elsewhere in the province of Ontario.

The RRRP amount is a source of revenue for identified rural and remote electricity distributors to allow them to reduce the amount of revenue they would otherwise have to charge some of their customers to distribute electricity.

Each year, the Board approves a RRRP benefit amount to be collected from electricity distributors by the Independent Electricity System Operator (IESO). Electricity distributors in turn have a Board-approved retail RRRP charge to recover the RRRP amount paid to the IESO from their respective customers.

Ontario Regulation 442/01 and section 79(1) of the *Ontario Energy Board Act* require that the Board annually set the RRRP rate to be collected by the IESO so that it equals the RRRP benefit amount approved by the Board for the same period. Similarly, the Board sets the retail RRRP charge to be recovered by electricity distributors so that it is in line with the amount they paid to the IESO.

The RRRP amounts collected by the IESO are remitted to Hydro One Networks Inc. (Hydro One). Hydro One is required by regulation to pay out the funds received from the IESO to distributors that have received approval for RRRP and to track any over or under collections.

Wholesale Market Service Charges (WMS Charges) are paid by all customers of the wholesale electricity market, including electricity distributors, to the IESO. WMS Charges recover the cost of services required to operate the electricity system and administer the wholesale market. These charges include the costs of items such as operating reserve, certain market costs related to system congestion and imports, as

well as other costs, such as losses on the IESO-controlled grid. Individual electricity distributors recover the WMS Charges from their customers through the WMS rate, which is authorized by the Board under section 78 of the Act. The WMS rate appears on the tariff sheets for all electricity distributors.

RURAL OR REMOTE ELECTRICITY RATE PROTECTION AND CHARGE

RRRP METHODOLOGY

Ontario Regulation 442/01 requires that the Board use the following steps to set the RRRP charge to be collected by the IESO annually.

- calculate the RRRP amount eligible consumers will receive;
- receive from the IESO a forecast of the number of kilowatt hours of electricity that will be withdrawn from the IESO-controlled grid, as determined in accordance with the market rules, for use by consumers in Ontario during the next calendar year; and
- calculate the amount of the charge to be collected by the IESO for each kilowatt hour of electricity that is withdrawn from the IESO-controlled grid so that the total amount of rate protection forecast to be collected is equal to the total amount of rate protection to be provided.

DETERMINING THE 2015 RRRP CHARGE

Based on the methodology described above, I have determined that effective January 1, 2015, the RRRP charge to be collected by the IESO shall remain at 0.13 cents per kilowatt-hour. To keep the amounts collected by the IESO in line with the amounts recovered by distributors from their customers, I have also determined that the RRRP charge billed to its customers shall remain at 0.13 cents per kilowatt-hour.

This RRRP rate is underpinned by a RRRP amount to be provided to eligible customers in 2015 of \$174 million. Also, the IESO's 2015 demand forecast is 136 TWh. The resulting RRRP rate is therefore 0.13 cents (rounded) per kilowatt-hour.

Any over or under recovery of the total RRRP amount recovered in 2015 by the IESO will be tracked in the variance account held by Hydro One.

WHOLESALE MARKET SERVICES

WMS RATE METHODOLOGY

The WMS rate is intended to compensate distributors for the charges they receive from and pay to the IESO for the cost to operate the electricity system and run the wholesale market. These charges and customer payments are recorded in Account 1580 of the Uniform System of Accounts. Any audited balances within Account 1580 are usually considered for disposition in the distributor's next rates application.

DETERMINING THE WMS RATE

In its last decision regarding the WMS rate, the Board reduced the amount from 0.52 cents to 0.44 cents effective May 1, 2013, based on a number of years of history in which the WMS rate exceeded the WMS charges. The credit balance in Account 1580 has declined since the change in mid-2013. However, as of September 30, 2014, a significant credit balance in Account 1580 still remained.

With respect to the WMS charges, the IESO's Monthly Market Report for October 2014 (p.22) indicates that total weighted year-to-date October 2014 WMS charges averaged 0.60 cents per kWh, and 0.47 cents per kWh excluding RRRP¹. This exceeds the amount charged by distributors for the same period.

Table 1 shows the WMS rates and WMS charges from November 2013 to October 2014. This shows that there was a significant difference between the rates and charges in February and March of 2014, but that for most other months the WMS rates were similar or even lower than the WMS charges. The winter of 2014 was severe and may have been a contributing factor to these differences.

Table 1: Weighted Average Wholesale Market Service Charges (incl. RRRP) vs. WMSR and RRRP (¢/kWh)²

	2013		2014			
	November	December	January	February	March	April
Wtd. Avg Charge	0.53	0.56	0.67	1.01	0.84	0.49

¹ <http://www.ieso.ca/imoweb/pubs/marketReports/monthly/2014oct.pdf>, page 26

² Source: IESO monthly reports, section. <http://www.ieso.ca/Pages/Power-Data/Market-Summaries-Archive.aspx>

(Month)						
RRRP & WMSR	0.56	0.56	0.56	0.56	0.56	0.56
Difference	-0.03	0.00	0.11	0.45	0.28	-0.07

	2014					
	May	June	July	August	September	October
Wtd. Avg Charge (Month)	0.60	0.57	0.50	0.45	0.46	0.37
RRRP & WMSR	0.57	0.57	0.57	0.57	0.57	0.57
<i>Difference</i>	0.03	0.00	-0.07	-0.12	-0.11	-0.20

Table 2: Weighted Average Wholesale Market Service Charges (incl. RRRP) vs. WMSR & RRRP (¢/kWh)

	Average 2014 YTD
WMSC charged by IESO	0.60
WMSR & RRRP charged by distributors	0.57
<i>Difference</i>	0.03

Given the current credit balance in Account 1580 and uncertainty of whether the WMS charges for the winter of 2015 will be of similar magnitude to the winter of 2014, I find that the current WMS rate will remain unchanged at 0.44 cents per kWh. The Board will monitor the balance in Account 1580, and may, if circumstances warrant, request the IESO to provide a forecast of future WMS Charges in order to evaluate the necessity of an adjustment to the WMS rate.

DETERMINATION TO DISPOSE OF THIS PROCEEDING WITHOUT A HEARING

This Decision and Order is being issued by Delegated Authority without a hearing pursuant to section 6(4) of the Act. The calculation of the RRRP charge and the WMS rate is a mechanistic exercise, and no person will be adversely affected in a material way by the outcome of this proceeding.

IMPLEMENTATION

Attached to this Decision and Order are communications to the IESO (Appendix A) and to distributors and retailers (Appendix B) regarding the RRRP charge and WMS rate for 2015.

Therefore, the Board Orders that:

1. The IESO's RRRP charge shall continue to be 0.13 cents per kilowatt-hour effective January 1, 2015.
2. The RRRP charge used by rate regulated distributors to bill their customers shall continue to be 0.13 cents per kilowatt-hour, effective January 1, 2015. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's Board-approved Total Loss Factor.
3. The WMS rate used by regulated distributors to bill their customers shall continue to be 0.44 cents per kilowatt-hour, effective January 1, 2015. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's Board-approved Total Loss Factor.

DATED at Toronto, December 19, 2014

ONTARIO ENERGY BOARD

Original Signed By

Lynne Anderson
Vice President, Applications

APPENDIX A

To Decision With Reasons and Rate Order

Communication to the IESO on the 2015 RRRP Charge

Board File No. EB-2014-0374

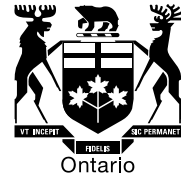
Dated: December 19, 2014

**Ontario Energy
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BY EMAIL

December 19, 2014

Jessica Savage
Manager, Government & Regulatory Affairs
Independent Electricity System Operator
655 Bay Street Suite 410
Toronto ON M2G 2K4

Dear Ms. Savage:

Re: Rural or Remote Electricity Rate Protection

On December 19, 2014 the Ontario Energy Board issued its decision with reasons and rate order in proceeding EB-2014-0374 to set the Rural or Remote Electricity Protection (RRRP) and Wholesale Market Service rates effective January 1, 2015.

Amount to be charged by the IESO for RRRP

The Board has determined that effective January 1, 2015 the RRRP charge to be collected by the IESO shall remain at the current charge of 0.13 cents per kilowatt-hour.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

APPENDIX B

To Decision With Reasons and Rate Order

**Communication to All Licensed Electricity Distributors and
Retailers on the 2015 RRRP Charge and the 2015 WMS Rate**

Board File No. EB-2014-0347

Dated: December 19, 2014

Ontario Energy Board
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BY EMAIL

December 19, 2014

To: All Licensed Electricity Distributors and Retailers

Re: Rural or Remote Electricity Rate Protection and Wholesale Market Service Rate

On December 19, 2014 the Ontario Energy Board issued its decision and rate order in proceeding EB-2014-0347 to set the Wholesale Market Service (WMS) rate and the Rural or Remote Electricity Protection (RRRP) rate effective January 1, 2015.

Amount to be Charged by the IESO for RRRP

The Board has determined that effective January 1, 2015 the RRRP charge to be collected by the IESO shall remain at the current charge of 0.13 cents per kilowatt-hour.

Amount to be Charged by Distributors and Retailers for RRRP

Effective January 1, 2015, the amount to be charged by distributors and retailers to their customers with respect to the RRRP shall remain at the current level of 0.13 cents per kilowatt-hour.

These unit rates shall apply to a customer's metered energy consumption adjusted by the distributor's Board-approved Total Loss Factor.

Amount to be Charged by Distributors and Retailers for WMS

Effective January 1, 2015, the amount to be charged by distributors and retailers to their customers with respect to the WMS rate shall remain at the current level of 0.44 cents per kilowatt-hour.

This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's Board-approved Total Loss Factor.

The Board wishes to remind all distributors and retailers that in accordance with subsection 5(6) of the Regulation:

A distributor or retailer who bills a consumer for electricity shall aggregate the amount that the consumer is required to contribute to the compensation required by subsection 79(3) of the Act with the wholesale market service rate described in the Electricity Distribution Rate Handbook issued by the Board, as it read on October 31, 2001.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary